

**REPORT
OF THE

FARM DEBT
ADVISORY COMMITTEE**

MARCH, 1992

**FARM DEBT ADVISORY COMMITTEE
ROOM 329, 3085 ALBERT STREET
REGINA, SASKATCHEWAN S4S 0B1**

March 18, 1992

Honourable Bernhard H. Wiens
Minister of Agriculture and Food
Room 348, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Mr. Wiens:

The Farm Debt Advisory Committee is pleased to present you with a report containing recommendations to deal with farm debt in Saskatchewan.

The Committee's Report contains recommendations to address critical areas such as security of tenure, the farm debt resolution process, credit availability, entry into farming and other areas.

We appreciate having had the opportunity to work with farmers, farm organizations, agricultural lenders, educators, government representatives, and others in developing our Report. Excellent input from a great many individuals and organizations was received.

. . . /2

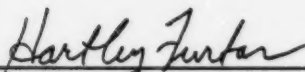
Honourable Bernhard H. Wiens

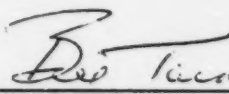
Page 2

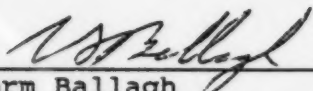
March 18, 1992

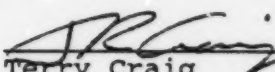
We submit our recommendations for your consideration in developing strategy and initiatives to alleviate farm debt problems.

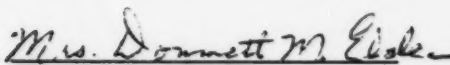
Yours sincerely,

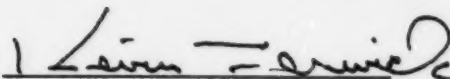

Hartley Gurtan
Chairperson


Bill Turner
Vice-Chairperson

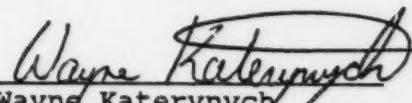

Norm Ballagh
Member

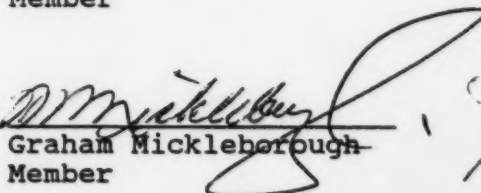

Terry Craig
Member

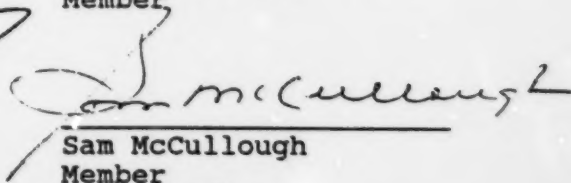

Donnette Elder
Member

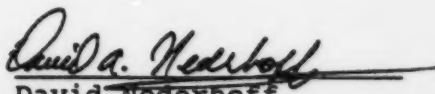

Kevin Fenwick
Member


Wes Gordon
Member


Wayne Katerynych
Member


Graham Mickleborough
Member


Sam McCullough
Member


David Nedernhoff
Member

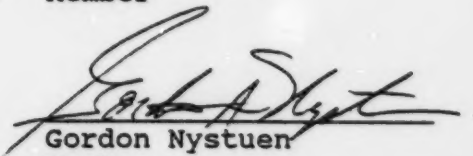

Gordon Nystuen
Member

TABLE OF CONTENTS

Committee Membership	(i)
Terms of Reference	(ii)
Objective for the Agriculture Industry	(iii)
Saskatchewan Farm Debt Situation	
Historical Perspective	1
Current Economic Situation	3
Summary	9
The Consultation Process	11
General Challenges	12
Instability of Farm Income	12
Changing Rural Economy	14
Problem Areas	16
Unserviceable Debt	16
Public Policy Problems	18
Limited Financing Options	21
Tenure	26
Recommendations	27
Appendix A	46
Appendix B	48

COMMITTEE MEMBERSHIP

The Farm Debt Advisory Committee (FDAC) was appointed by Honourable Bernhard Wiens, Saskatchewan Minister of Agriculture and Food, on January 13, 1992. The Committee consists of the following members:

Dr. Hartley Furtan, Chairperson, Saskatoon

Representing Agricultural Producers:

Mrs. Donnette Elder, Fillmore

Mr. Wayne Katerynych, North Battleford

Mr. David Nederhoff, Rouleau (SARM)

Mr. Gordon Nystuen, Spalding (SWP)

Mr. Bill Turner, Cupar

Farm Lawyers:

Mr. Kevin Fenwick, Melville

Mr. Sam McCullough, Saskatoon

Representing Agricultural Lenders:

Mr. Norm Ballagh, Swift Current (ACS)

Mr. Terry Craig, Regina (CBA)

Mr. Wes Gordon, Regina (FCC)

Mr. Graham Mickleborough, Rosetown (CUC)

TERMS OF REFERENCE

The FDAC is the beginning of the second phase of a strategy to address major problems surrounding Saskatchewan farm debt.

The first stage consisted of temporary measures by agricultural lenders to relieve the financial pressure facing many farm families. The short term measures included a hold on new farm foreclosure notices, a hold on applications for final orders of foreclosure, and special leaseback arrangements for 1992 for farmers who had previously lost land to lenders.

The temporary measures remain in place until March 31, 1992. During the short term holding period, the FDAC was mandated to examine possible solutions to alleviate the farm debt problem and to make recommendations to the Minister of Agriculture and Food by March 1, 1992.

The FDAC was given the following specific mandate:

- to examine the appropriateness of new farm debt initiatives
- to review existing farm debt programs and farm security legislation
- to examine both provincial and federal farm debt policies and legislation
- to consult widely with the agricultural industry and other players involved with the farm debt issue
- to consider immediate problems relating to existing farm debt and longer term farm financing issues

OBJECTIVES

The FDAC proceeded to develop a common committee position regarding their objective for the agricultural industry. It was agreed that the FDAC's recommendations on farm debt should contribute to the overall objective of a profitable, self-sufficient, sustainable agricultural industry which maintains the family farm as the base unit of production. This would see families operating farms which cover their costs of production, provide a suitable standard of living and the promise of a healthy future. This overall objective for the agricultural industry is the framework within which the Committee has examined the debt and financing problems in agriculture and developed options and recommendations to alleviate the financial problems.

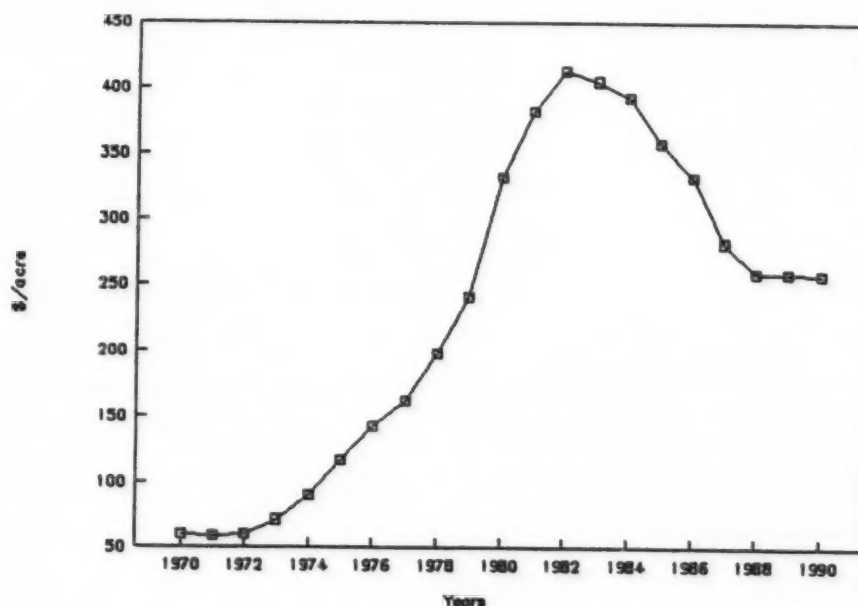


SASKATCHEWAN FARM DEBT SITUATION

Historical Perspective

The farm debt problems of the 1980s continue for many Saskatchewan farmers as we enter the 1990s. Although the problems became acute in the 1980s, the root of the difficulties for many farmers began during the boom of the 1970s. In retrospect, the 1970s was a time of exaggerated optimism. Wheat prices skyrocketed, value of wheat production climbed and there seemed to be no limit to the prosperity of the grain economy. Realized net income rose sharply. Farmers expanded their operations by purchasing land in a market which reflected optimism. Farmland values accelerated to an average of \$413/ac in 1982, however in many cases land was sold for over \$1,000/ac. High incomes and tax concessions encouraged farmers to become heavily capitalized. All this resulted in a tripling of debt; from \$904 million in 1971 to \$2,988 million in 1980.

Average Value of Saskatchewan Farm Land



Source: Agricultural Statistics, Saskatchewan Agriculture and Food

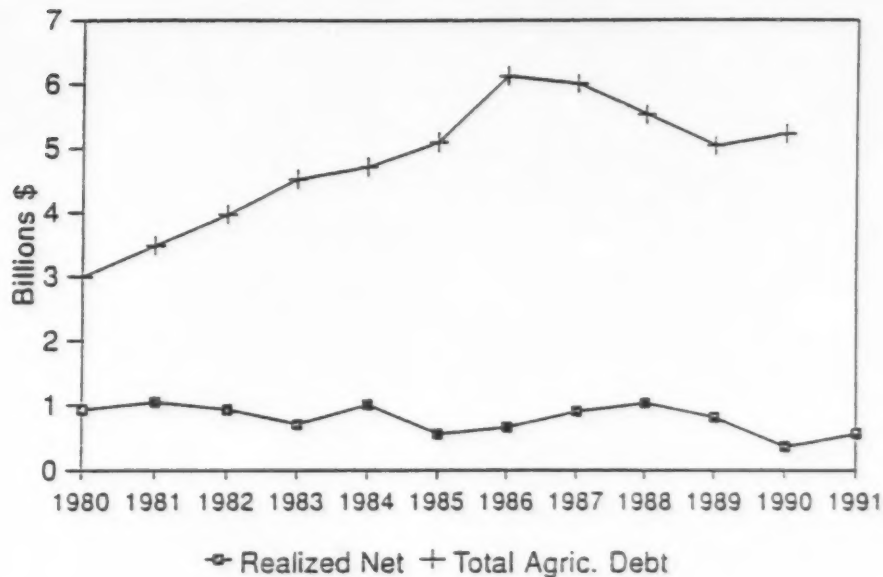
The decade of the 1970s was a time of rapid change in the general economy, both nationally and internationally. The energy crisis of the early 1970s and expansionist fiscal policy of government led to high inflation levels. The boom of the 1970s came to an abrupt halt with a sharp change in fiscal and monetary policy. Real interest rates (actual interest rates minus inflation) jumped from extremely low levels (0.52% from 1971-75 and 2.28% during the period 1976-80) to 6.79% in 1981.

Extremely low real interest rates in the 1970s affected fixed asset values such as real estate in particular because individuals attempted to protect themselves from inflation by investing in physical assets like land. This aggravated a farmland market which was already heated in response to an agricultural commodity price boom. When real interest rates rose sharply in the early 1980s, real estate assets were again affected but in the opposite direction. The effect was compounded by declining commodity prices.

Agriculture is a capital intensive industry and therefore greatly affected by interest rates. When the monetary policy was changed by the Bank of Canada, to deflate the economy through extremely high real interest rates, agriculture was vulnerable. Investment in the industry was reduced and many farmers were caught with a large debt, rising interest rates and falling commodity prices. An economic crisis was on hand.

In spite of higher real interest rates and reduced commodity prices total outstanding debt continued to increase. It peaked at \$6.12 billion in 1986. Wheat prices dropped from \$207/tonne to \$105/tonne over the same period. With the bottom having fallen out of the grain market massive government support was initiated to cushion the income decline. The decline in income was particularly serious for those farmers who had taken on large amounts of debt. The income safety nets were not sufficient to maintain existing land values. In the past three years commodity market conditions have deteriorated significantly. With less income support through government programs, income problems have encroached on the viability of farmers not only with high debt loads but also with moderate debt loads.

Agricultural Debt in Saskatchewan and Realized Net Income of Farm Operators from Farming Operations



Realized Net Income = (Cash Receipts from Crops and Livestock +
Program Payments + Rebates + Income-in-kind)
- Gross Operating Expenses - Depreciation

Source: Agricultural Statistics, Saskatchewan Agriculture and Food

Current Economic Situation

In Saskatchewan total outstanding debt as of December 31, 1990 was \$5.2 billion. The House of Commons Standing Committee on Agriculture estimated the amount of debt in Saskatchewan not currently serviceable to be \$897.6 million in 1989. Using a risk factor index, it was estimated that in 1989, 13,850 Saskatchewan farms could be considered insolvent. It should be noted that incomes and farm asset values have fallen significantly

from 1989 levels, which would place more Saskatchewan farms in the insolvent category.

It is estimated that one-third of Saskatchewan farmers with the lowest equity levels carry over 70% of the total farm debt. The equity position of many of these farmers has deteriorated to serious levels, largely due to declining asset values, although increases in debt levels have occurred as well. This deterioration coupled with lower incomes, undermines the ability of the farmers to service debt and jeopardizes the security of loans. Lenders become concerned about the risk of lending to farmers, resulting in a restriction of credit, particularly operating credit.

**The Percentage of Debt Carried by the
High, Medium and Low Equity Farmers in Saskatchewan**

Equity Group	No. of Farmers	% of Total Debt
High Equity (greater than 96%)	20,000	2%
Medium Equity (76-96%)	20,000	27%
Low Equity (less than 76%)	20,000	71%

Source: Farm Credit Corporation Survey, 1990.

While incomes and equity levels remain low, the value of machinery assets also begins to deteriorate as farmers are unable to replace machinery at optimum rates. Over the period 1970 to the early 1980s, machinery and implement assets rose from approximately \$1 billion to \$6 billion. Much of this was due to inflation but high incomes and tax incentives contributed to the build-up of the machinery and equipment inventory. While most farmers have recently been overhauling existing equipment and/or purchasing used equipment, these farmers eventually must purchase newer equipment. Improved incomes and improved equity positions will be required for this to happen.

While the Low Equity group of farmers carries 71 percent of the total debt, the Medium Equity group carries 27 percent and the High Equity group only 2 percent of the total

✓ debt. The average financial profile of these different equity groups gives some interesting perspectives. The Medium Equity group has 26% more long-term assets (land and buildings) than the High Equity group and 38% more long-term assets (land and buildings) than the Low Equity group. This tends to indicate that the Medium Equity group has somewhat larger farms. This is also borne out by the fact that average farm revenue for this group is \$83,100 compared to \$53,900 for the High Equity group. The Low Equity group has even larger average farm revenue, \$97,200.

The number of years as manager is a reasonable proxy for the average age of farm operators in each group. As expected, the number of years as manager declines as equity declines (32, 25 and 17 years respectively for the High, Medium and Low Equity groups). This has serious demographic consequences for agriculture and rural communities. The loss of young farmers who are experiencing the most serious debt problems leads to erosion of the rural infrastructure.

The trend towards increased off-farm income appears to be continuing. From 1980 to 1989, total off-farm income of Saskatchewan farmers (including family members) increased from \$256 million to \$886 million. Although the average net off-farm income of the three equity groups appears to be similar, the off-farm income of the High Equity group has a higher proportion of income from investments rather than non-farm employment. Sixty-six percent of the off-farm income was investment income for this group, compared with about 30 percent for the Medium Equity group and 14 percent for the Low Equity group. The distribution of off-farm income has also changed over time between the equity groups. In 1988, 33.2% of total off-farm income was earned by the High Equity group, 32.2% was earned by the Medium Equity group and 34.6% by the Low Equity group. By 1990, the share earned by the High Equity group fell to 29.0% whereas that earned by the Medium Equity and Low Equity groups rose to 35.3% and 35.6% respectively. Studies indicate that younger farmers tend to participate in non-farm employment to a greater extent. This would account for the lower equity groups having somewhat higher levels of off-farm employment income; however, the marked change in such a short period of time (from 1988 to 1990) would indicate that farmers in these groups sought off-farm income to help alleviate on-farm financial stress.

**Financial Structure of Saskatchewan Farms with
High, Medium and Low Equity**

	High Equity	Medium Equity	Low Equity
Short-term Assets	\$87,400	\$77,700	\$51,900
Intermediate-term Assets	\$99,600	\$144,600	\$120,400
Long-term Assets	\$247,800	\$313,300	\$226,800
Total Assets	\$434,900	\$535,600	\$399,200
Short-Term Liabilities	\$700	\$7,300	\$25,600
Intermediate-term Liabilities	\$2,800	\$25,100	\$43,500
Long-term Liabilities	\$1,000	\$33,500	\$107,800
Total Liabilities	\$4,600	\$68,200	\$181,200
Farm Revenue	\$53,900	\$83,100	\$97,200
Net Off-farm Income	\$12,800	\$15,500	\$15,800
Number of Years as manager	32	25	17

Source: Farm Credit Corporation Survey, 1990.

The benefits and usefulness of off-farm income as a mechanism to alleviate on-farm financial stress should not be over played. Older farmers who have little formal education often cannot find off-farm employment. Even if they can, the wage rate is too low and their income earning ability is inadequate to help alleviate the debt problem.

People in this category face the extra stress load resulting from having no alternative means to earn a respectable living. Together with this, off-farm income opportunities become fewer as the agricultural crisis situation had a spill over effect on the entire rural economy.

The 20,000 farmers in the Low Equity group have relatively few short term liquid assets to sustain their farm operations through a continuing period of low farm incomes. The average farmer in the Low Equity group had only \$9,950 of cash, bonds and savings on January 1, 1990. This compares to \$32,650 for farmers in the Medium Equity group and \$57,000 for farmers in the High Equity group. Farmers in the Low Equity Group are very quickly pressed to borrow more operating money the longer the cash crunch lasts.

To a large degree the \$1 billion decline in total farm debt has been from debt write-down through debt restructuring, foreclosure and voluntary transfer of land to lenders in settlement of debt. Approximately 20 % of Saskatchewan farmers have been involved in the formal debt review process since 1985. A number of settlements are reached privately between farmer and lender in which case, neither the Farm Debt Review Board nor the Farm Land Security Board would be involved.

**Type of Arrangements Made by Farmers Who Went Through
the Farm Debt Review Board Process (1987-1991)**

Year	Restructured	Quit-claim/ Leaseback	Exits	Disposal of Assets	Other
1987	18%	50%	3%	18%	11%
1988	25%	61%	4%	7%	3%
1989	46%	36%	3%	4%	8%
1990	50%	35%	3%	5%	7%
1991	64%	29%	2%	2%	3%

Source: Farm Debt Review Board

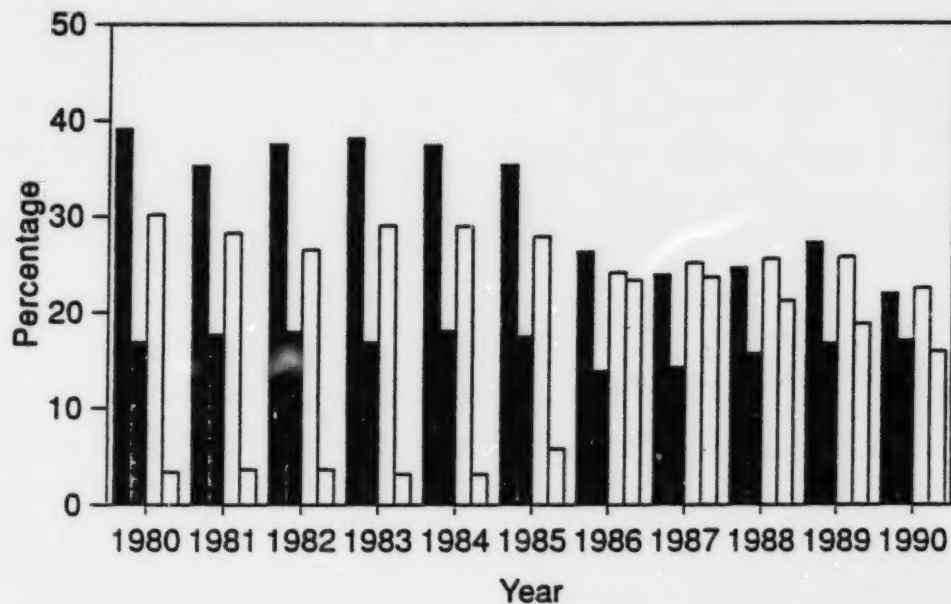
Of the arrangements mediated by Farm Debt Review Board process, the number of debt restructuring arrangements has increased significantly since 1987. The number of quit claim/leaseback arrangements has declined but is still substantial.

There have been 6,362 farms receive notices of intent to foreclose since the Farm Land Security Board was established on January 1, 1985. Of the files reviewed by Mediation Services since 1988, 76% have resulted in mediated settlements, of which 26% have achieved debt restructuring and 40% transfer/leaseback of land. The number of farms involved in debt review processes demonstrates the severity of the debt problems being experienced in Saskatchewan's agricultural industry. Many of the farmers entering debt review remain in the industry. However, they continue to be vulnerable with respect to debt serviceability or with respect to security of tenure where a leaseback is part of the debt settlement.

The primary agricultural lenders are chartered banks, credit unions and Federal and Provincial Governments. Other lenders include insurance and trust companies, input suppliers, individuals and the Canadian Wheat Board (cash advances). Over the course of the 1980s, the market share of credit amongst lenders has shifted towards the public sector primarily through the increase in provincial lending. While the market share of credit unions and the Federal government remained stable, the market share of chartered banks declined from 39.2% to 22.0% and the Provincial Government share increased from 3.4% to 15.9%.

In the debt resolution process, lenders have acquired a significant number of acres of farmland. The largest share is held by Farm Credit Corporation (62%), followed by 26% held by chartered banks and 12% held by credit unions. As of October 31, 1991, lenders held 1,409,513 acres.

**Source of Outstanding Agriculture Debt
in Saskatchewan at December 31 (1980 - 1990)**



Chartered Banks
 Credit Unions
 Federal Gov't
 Provincial Gov't

Source: Agricultural Statistics, Saskatchewan Agriculture and Food

Summary

The economic consequences of farm debt are difficult to measure. Often more than one family is involved in a loan that cannot be serviced. For example, parents may have assisted their children to enter farming through pledging security, most often land. If the children cannot service the debt, parents lose their part of the security. Most often this represents the pension of the parents. The question that must be answered is, should this be allowed to occur on a large scale.

Social concerns also arise when families, young and old, lose their means of well-being. Women and children are often the victims of abuse, simply because of the high levels of

stress brought on by the farm financial crisis. Some farmers, take their own lives. All these costs are never measured, however they are part of the bill that is paid by someone or some families. The "true" cost of the debt crisis must include health and welfare costs, private and personal costs, as well as costs paid by taxpayers to producers. A good accounting of these costs has never been done in Canada. These costs have not been documented in this report, however the committee recognized that they exist and must be dealt with in some manner.

Saskatchewan's agriculture industry has been on a rollercoaster for the past two decades, climbing to considerable wealth in the 1970s then dropping to a financial state which has placed many farmers in crisis condition. Commodity markets continue to be depressed and farm incomes remain seriously low. For farmers carrying substantial debt, the effects of low income are magnified. Major adjustments to resolve the farm debt problem have occurred and are still occurring. The public policy question is whether to intervene with new or modified policies to alter the current adjustment process.

THE CONSULTATION PROCESS

An important component of the FDAC's mandate was to consult widely with the agricultural industry on the farm debt issue. The Committee undertook a three part process to obtain the advice and proposals of farmers, lenders, agri-business and others affected by farm debt.

- 1) Major farm organizations, agricultural lenders, and other organizations representing agricultural interests were invited to submit written briefs to the FDAC. The FDAC met one-on-one with many of these organizations. A list of the organizations who submitted written briefs to the FDAC is included as Appendix A to this Report.
- 2) All Saskatchewan agricultural producers were invited to write to the FDAC with their ideas and proposals for dealing with immediate farm debt problems and longer term agricultural financing issues. The FDAC received 267 letters in response to this invitation. A list of contributors is attached as Appendix B to this Report.
- 3) A seminar was held on February 20, 1992 to assess, prioritize, and add to the proposals received through written briefs, letters and individual meetings of the FDAC with various organizations. The seminar was attended by about 100 farmers, representatives of farm organizations, elected officials, agricultural lenders and government officials.

The consultation process generated a great deal of interest, resulting in many ideas and proposals for dealing with farm debt. Some proposals contained finely developed details while others were more general. The overall outcome was an excellent cross-section of viewpoints of the various interest groups around the farm debt issue.

The FDAC established a number of themes around which fit the many ideas and proposals received through the consultation process. These themes were defined in terms of problem areas with respect to farm debt. Program or policy proposals were also defined around general themes and then matched against the particular farm debt problem that each proposal most appropriately addressed. The problem areas included the unserviceable debt, problems with the public policy framework, limited financing options and problems with tenure.

In addition to these problem areas, the FDAC recognized relationships between farm debt problems and more general challenges facing agriculture and rural Saskatchewan. Many of the submissions pointed out that there are costs other than monetary costs associated with the debt issue. The instability of farm incomes and the effect on farm asset values and the changing rural economy are among these general challenges.

GENERAL CHALLENGES

I. Instability of Farm Income and Asset Values

One of the recurring themes heard by the FDAC was the instability of farm asset values and the underlying root of the problem - the instability of farm incomes. While the FDAC's mandate does not relate specifically to recommending solutions to the farm income problem, the Committee felt it would be remiss not to identify and discuss some of the linkages between income and farm debt.

There are numerous market factors that cause farm incomes to fluctuate widely. The last two decades have seen the Saskatchewan grains sector move from the generally buoyant commodity prices of the mid 1970s to early 1980s to critically depressed prices of the mid 1980s to early 1990s. International subsidy wars and generally favourable growing conditions for grains worldwide account for a large part of the recent experience.

The price and income swings have created some enormous difficulties for farmers attempting to debt finance businesses in a highly capital intensive industry. Financial planning is an onerous task in an industry where prices drop unpredictably by 50 percent and remain low for a prolonged period of time. Decisions to purchase land at values that reflected five to six dollars per bushel for wheat in 1980 make no sense at two to three dollar wheat. The fixed debt burden incurred to pay for land at inflated prices becomes a major financial burden. Income is inadequate and as asset values decline the farmer's equity is eroded, making it difficult to borrow to survive the financial strain.

Farmers buying land are faced with the challenge of determining the productive value of the land in the face of extreme uncertainty with respect to the future income stream that the land will generate. It seems at times that productive value has given way to current year's debt serviceability as the determining factor of the price of land. This approach left many land buyers of the late 1970s and early 1980s in financial ruin.

With falling asset values of the 1980s, many farmers are purchasing land at prices which will result in more profitable farm enterprises. There is clearly a dichotomy of interests within the farm community, many existing producers see their equity eroded and their debt burden mount while new entrants or expanding producers benefit from an eventual purchase of land at deflated prices.

The reduction in land prices in the 1980s has created a void in the process of transferring land between generations of farmers. Potential new entrants hold off purchasing land while the decline continues, hoping to purchase the land at the lowest possible price. Farmers nearing retirement age are thus left with a reduced number of potential buyers. To compound the problem, the near retirement group often holds off selling in the hope of a turnaround in land prices.

An income stream generated through more stable markets or income stabilizing measures offered by government would certainly alleviate some of the difficulties associated with financing the farm capital asset base. Some people have argued that the public policy objective should be to solve the income instability problem and the farm

debt problem should be left to take care of itself. On the flip side is the argument that we are likely to continue to experience a level of income instability which will cause some difficult farm debt and financing situations. While the FDAC mandate does not include making recommendations for stabilizing farm income, it is the position of the Committee that the effectiveness of the recommendations for dealing with farm debt can be reinforced through effective programs to stabilize farm incomes.

II. Changing Rural Economy

Rural Saskatchewan is in a state of rapid change. A good deal of adjustment is driven by events in the agricultural sector and the adaptation of the agricultural sector to international subsidy wars, interest rate fluctuations, technological change and other market and non-market factors.

The rural economy is a highly interdependent system. Rural businesses and public services such as schools and hospitals are very much dependent upon agriculture. Conversely, agriculture and farm families rely heavily upon rural communities for the businesses and services these communities provide. One of the facts of life for farm families is the increasing importance of off-farm income in stabilizing farm family income. In this regard, the incomes of farm families are directly dependent upon the general state of the rural economy and the opportunities presented for off-farm employment and business opportunities.

The FDAC has heard from numerous organizations of the importance of preserving a rural infrastructure in Saskatchewan. While virtually no one disputes the importance of the rural infrastructure, few people argue that the objective can or should be to retain rural Saskatchewan in precisely the form that we know it today. Saskatchewan people have always embraced change that contributes positively toward better economic and social conditions. However, there is a genuine fear that some of the changes facing rural Saskatchewan today are not positive.

The challenge from the FDAC's viewpoint is to manage change in a way that preserves a rural infrastructure and recognizes the continuing mutual interdependence of rural communities and farm families. The Committee is particularly concerned with the process of managing the rate of change. External factors at times force adjustments too quickly for institutions and individuals to cope effectively. As a result, the transition to new methods of operation and new strategies both on and off the farm carries an excessive stress level financially, socially and emotionally. The farm debt problem and the low farm incomes which have contributed to the farm debt problem are a case in point. The current income and debt scenario has demanded major change not only from a significant segment of the farm population, but from financial institutions who lend to farmers and rural communities dependent upon agriculture.

Another challenge in managing change is to separate the short term from the long term. It makes little sense that the long term structure of farms and rural communities should be determined by short term economic conditions, particularly if these short term conditions are driven by such things as international subsidies and unfair trading practices of our competition. However, in an industry which exhibits the degree of instability and unpredictability that agriculture does, knowing the difference between a short term downswing and a long term market signal presents a predicament.

Policies which assume a short term downswing in incomes can turn out to be exactly the wrong policies if this underlying assumption proves incorrect. By the same token, the assumption that every swing in agricultural returns is here to stay will result in policies and strategies that keep the industry in a perpetual state of chaos and over-reaction to each transitory change in the marketplace.

There is a viewpoint underlying much of what the FDAC has heard that, regardless of short versus long run conditions, individuals and institutions in rural Saskatchewan are being forced to cope with new circumstances at a pace that cannot be dealt with either easily or effectively. Individuals and institutions need time to adapt. Coping is especially troublesome for farmers who carry considerable levels of farm debt and who therefore have their economic survival at stake. This clearly begs the question of what new

initiatives might be considered by all participants (farmers, lenders, and governments) in the farm debt field. What new farm debt and financing initiatives will assist individual farmers and the agricultural industry in better coping with change in the farm and rural economy? Much of the objective with respect to new farm debt initiatives is to reduce the financial, social and psychological stress associated with the demands of the marketplace on farm families and others involved with farm debt, while at the same time contributing to a profitable agriculture industry in the long term.

PROBLEM AREAS

I. Unserviceable Debt

The Farm Debt Advisory Committee sees the major problem in terms of the unserviceable debt that Saskatchewan farmers are currently carrying. While it is difficult to define precisely the current amount of unserviceable debt, estimates of close to \$1 billion have been made by the House of Commons Standing Committee on Agriculture. Lenders and farmers have been dealing with unserviceable debt through a number of actions, including such things as debt restructuring, voluntary transfer of land with or without a leaseback, or foreclosure and seizure of assets.

The FDAC received numerous proposals from organizations and individuals which involved the setting aside or the adjustment of outstanding debt so that the remaining debt could be serviced by the farm enterprise.

In regard to set-aside, proposals generally suggested that debt be set-aside at zero interest. Over time, this debt could either gradually be brought back into the payment schedule or could be paid off as a balloon payment at some point in the future. Periodic review to assess serviceability was also presented as an option.

An option suggested would be for the set-aside to bear interest, with the interest reduced in cases where the borrower continued to make payments on the set-aside. This would provide some incentive for the borrower to continue to make payments on the set-aside

rather than to defer payment to some future date. Government guarantees in conjunction with the set-aside were also proposed. An important question was whether the guarantee should be placed on the loan principal which is set-aside, the active loan, the scheduled payments of principal and interest or some combination. There were a variety of opinions on this issue. In addition, there were numerous views as to how eligibility for a set-aside program should be determined, including maximum dollar limits on the set-aside, requirements of a formal debt review process, and a maximum placed on the percentage of total debt set-aside for a farm operation.

Debt set-aside is not without opposition. Some people feel that setting aside debt merely delays dealing with a problem and that the real need is for debt adjustment. Others feel that debt set-aside with any kind of government support is unfair to farmers who have paid their debts. There is also a concern that debt set-aside, if not designed carefully, could in fact impede the process of debt adjustment.

There were numerous proposals that there be an adjustment of farm debt. Some of these involved legislated write-down of debt, others called for the establishment of some form of debt adjustment board with powers to impose debt settlements. Changes to Canadian bankruptcy laws to facilitate adjustment of debt to market value of the security were also suggested.

There were many opinions expressed that write-down of debt would be very unfair to farmers who had sacrificed in order to make their debt payments. Some felt that there should be less restriction on foreclosure in order to facilitate debt write-off through the foreclosure process. Land could be forced onto the market after foreclosure in order to permit a reduction in land values and hence more profitable opportunities for new entrants and expanding producers. Concerns were expressed about the impact of forced debt adjustment on credit availability.

Some presenters favoured debt set-aside over debt write-down on the basis of fairness among farmers. Debt set-aside would not extinguish the debt obligation while debt write-down would. Under a debt set-aside scheme, the farmer is still expected to repay

the loan principal at some point. In addition, the set-aside approach would not carry the same threat of borrowers discontinuing payment in order to qualify. The signal would remain that borrowers are expected to eventually repay their debt.

II. Public Policy Problems

A considerable amount of the advice given to the FDAC dealt specifically with various aspects of the public policy process. Topic areas included the role of the public versus private sector, modifications to the federal-provincial debt resolution process, specific security legislation changes, and general eligibility criteria for accessing government debt related programs.

Much of the attention focused upon the debt resolution process, with one of the key questions being that of how restrictive the process should be in protecting farmers from losing their assets through foreclosure and seizure. While opinions varied widely on this issue, few presenters to the FDAC felt that a more restrictive foreclosure process or security seizure process was an answer in and of itself. This may have been driven by a recognition of the need to maintain credit availability, even though there were those who argued that protection of farmers from losing their farms should be today's priority.

There were, however, numerous suggestions as to how the current debt resolution system could be modified to improve its performance. A common recurring point was to consider the amalgamation of the federal and provincial debt review boards. There were views expressed that two boards cause confusion and unnecessary duplication, and while there are some notable differences between the federal Debt Review Board and the provincial Farm Land Security Board, similarities warrant examination of amalgamation. There also was considerable support expressed for enhancing mediation services and extending mediation beyond the current debt review processes.

There were suggestions that the earlier and more expeditiously a farmer's debt problems can be addressed the more likely it will be that financial disaster can be averted.

There was a divergence of views expressed in regard to the question of empowering a debt review board to impose debt settlements, including debt adjustment. However, most saw this as too intrusive, leading to a withdrawal of credit by lenders and inequities in the farm community.

Other proposals expressed in regard to the debt resolution process included:

- the need for better legal advice for farmers
- the possibility of replacing the entire debt review process with a unified debt court (similar to the unified family court concept)
- federal bankruptcy law similar to the United States
- giving debt review boards the power to determine access to public debt programs (eg. guarantees)
- changes to remove creditor's authority to petition a farmer into bankruptcy due to the existence of a small amount of off-farm income.

Several specific legislative changes were proposed. Some presentors felt that current home quarter protection afforded by The Saskatchewan Farm Security Act should be eliminated so that home quarters are treated in the same fashion as other land. Others see problems with the current system of applying for waivers of home quarter protection - for example the process of applying to the Farm Land Security Board, the requirement of application for waiver where the home quarter is purchase money security, the effect of home quarter protection where there is an intensive livestock operation situated on the home quarter and the establishment of home quarter status after a mortgage has been issued. These specific concerns exist with respect to home quarter protection. At the same time, there is a strong feeling by many that the home quarter deserves special status in terms of foreclosure protection. Some felt The Saskatchewan Farm Security Act, should give judges the discretion to set-aside a portion of the value of the foreclosed-on property for the retirement benefits of the farmer.

There were views expressed that exemptions from seizure listed under The Saskatchewan Farm Security Act should be stated as a flat dollar sum of assets, rather than as a listing of specific items. There were also suggestions that borrowers be allowed to waive their rights to hold exempt from seizure those items listed as exemptions under The Saskatchewan Farm Security Act. This would ease access to credit in some instances.

Contrary viewpoints were expressed in relation to purchase money mortgage protection. Currently, lenders cannot sue for a deficiency if the value of the security falls short of the debt owing in the case of a purchase money mortgage. Some people thought lenders should be allowed to sue in part because the borrower has a moral obligation to pay the full debt owing and in part to enhance lending. Others proposed that lenders should not be allowed to sue for deficiency, whether the mortgage is a purchase money mortgage or not. Divergent viewpoints were also expressed on the issue of implementing a production security interest through Personal Property Security legislation which would put credit unions on a similar footing as the banks in terms of lending operating funds. Some feel that Section 178 of The Bank Act provides banks with too much status in terms of security realization, even though banks may be more prone to lend money to farmers under the currently structured Section 178.

There was also a suggestion that the income tax system penalizes borrowers who settle their debts by transferring assets to lenders or by making payment which is less than the principal amount owing. This results in deemed capital gain or debtor's gain. A further income tax related issue is principal payments as an eligible expense or as eligible for Registered Retirement Savings Plan.

The role of the government in agricultural lending was the target of several presentors to the FDAC. There is some support for the view that government debt and financing programs for farmers should be delivered through private lenders rather than as direct lending programs. There were also views expressed that would see a continuation of government direct lending, but only if public lenders provided a lending service or product not offered by the private lenders. Concerns were expressed that the public and private lenders have become more alike in recent years which raised the question of the

need for public direct lending. Nonetheless, many of the proposals received by the FDAC involve roles for public lenders such as Agricultural Credit Corporation of Saskatchewan and the federal Farm Credit Corporation. A further issue raised is whether both a federal and a provincial public lending institution are necessary.

Numerous briefs to the FDAC dealt with the question of what group of farmers should be assisted through debt programs offered by governments. Most presentations favoured the careful targeting of assistance based upon potential viability. There was support for assistance to farmers on the "slippery slope" as well as to those with more severe financial problems. Ideas for capping benefits of debt programs based upon net worth were presented. There was also some support for better transitional programs for those farmers who choose or are forced to exit agriculture for financial reasons. Farm financial management training was seen as an important component of a package of debt or financing programs.

III. Limited Financing Options

Few, if any, presentors to the FDAC suggested a general credit availability problem exists at the present time. However, there were identified credit shortages for particular purposes and an identified lack of financing alternatives or mechanisms. The proposals addressed three broad categories - credit for debt restructuring, financing alternatives to recapitalize agriculture and to assist in the intergenerational transfer of farms, and operating capital availability.

A. Credit for Restructuring

One of the concerns identified frequently is the lack of a financing source for debt settlements negotiated between a lender and a farm borrower. The lender may agree to settle for payment of only a portion of the debt owing, but is not willing to continue to finance the client after this write-down of his or her debt. Without a third party source of financing, these situations frequently result in foreclosure or voluntary transfer of the farmland to the lender, in some cases with a

leaseback. There were a number of proposals which targeted the problem of credit for restructuring. Included was a proposal for private lender financing with a government guarantee on borrower payments to the private lending institution. Proposals to expand government direct refinancing were also received by the Committee.

It was suggested that the federal Farm Improvement and Marketing Cooperatives Loan Program be amended to provide guarantees in cases where a lender consolidates the loans of an already existing client. Currently, the Program only provides a guarantee where a lender consolidates the loans of a client of another lending institution. There was also a suggestion that the ceiling amount on Farm Improvement Loans be increased to allow greater amounts to be guaranteed under the Program.

One of the mechanisms identified to encourage lenders to restructure debt and thereby put farmers on a more viable footing was to allow farmers the right to waive their foreclosure protection under The Saskatchewan Farm Security Act. The waiving of these rights would serve as an incentive to entice lenders to finance a restructuring package during the debt resolution process.

Other presentors saw some merit in such things as off-shore funding to facilitate debt restructuring. Long term subsidized interest rates were suggested as an alternative to debt restructuring and set-asides, the argument being that if farmers paid reduced interest rates, the end result in terms of debt serviceability would be no different than through a set-aside or other debt restructuring.

A program similar to the Saskatchewan Feeder Associations Loan Guarantee Program was proposed for the financing of farm land. Under this program, a group of farmers would collectively contribute to insuring against initial losses in the event of financial insolvency of any member of the group. The government would then guarantee against an additional amount of loss.

B. Recapitalization of Agriculture

A recurring theme in the Committee's discussions with the industry was the need to do a better job in recapitalizing agriculture and intergenerational transfer of farms. This area in particular was seen as one where alternative financing mechanisms are badly needed. There were many innovative ideas in this regard presented to the Committee.

One proposal called for the establishment of community based land trusts. These land trusts would acquire land through purchase, donation or transfer in exchange for shares. The land would be leased back to farmers on a long term basis. The land trust would be controlled by residents of the community.

Other proposals called for a government Land Bank to purchase land and lease to farmers on a long term basis with rights to repurchase. Community bonds were suggested as a possible mechanism to raise capital for agriculture. Linked deposits were a further option, whereby savers could be encouraged through tax incentives to place their funds in financial institutions ear-tagged for agricultural purposes. Alternatively, government could deposit funds at a low interest rate with lending institutions to be loaned to farmers for specific agricultural purposes.

One suggested initiative to alleviate the capitalization problem in agriculture was to have mortgage payments relate to the value of production on the farm. A crop share mortgage with annual payments being limited to one-third of the crop is one possible mechanism to accomplish this.

Vendor financing backed by a government guarantee was also an alternative. In addition, high ratio financing for new entrants along with a mortgage insurance program similar to that offered by Canada Mortgage and Housing Corporation was offered as an option.

C. Availability of Operating Capital

Farmer access to operating capital continues to be a topic of concern to farmers and agricultural lenders. Numerous measures have occurred in recent years to promote access to operating capital. Production and seeding loans, loan guarantees, and increased use of Canadian Wheat Board cash advances have all attempted to provide operating credit to farmers.

There were various proposals made with regard to the Counselling and Assistance for Farmers (CAFF) Program, a program of guaranteed operating loans for farmers who are unable to borrow operating funds from their lending institutions. Some people called for termination of the program, arguing that the operating loan guarantees do little to address the real problem which is the need to restructure the farmer's overall debt.

Other felt that the operating loan guarantees are too rich and that lenders should be required to share in each individual farmer loss on an operating loan, rather than having an aggregate pool of capital guaranteed for each lending institution. There were also feelings expressed that the operating loan guarantees have been too easily available, with farmers receiving guaranteed operating loans after having already had a loss and a claim paid to the lending institutions by the Program.

There was some discussion around the issue of requiring a farmer to be engaged in a debt review process in order to obtain a CAFF guarantee. This requirement would allow the guarantee to be placed as part of an overall debt recovery strategy for the farm.

There were some people who favoured an expansion of the CAFF program, on the basis that current aggregate guarantee limits are restricting the lender's ability to adequately meet the operating loan requirements.

A particular operating loan issue is the ability of credit unions to provide operating loans without having equal ability as the chartered banks to realize upon security. There were several specific problem areas identified and some desire was expressed to create a more level playing field for credit unions in order to facilitate the extension of credit.

IV. Tenure

One of the most pressing problems for Saskatchewan farmers in financial difficulty is to maintain ownership or control of their land. In addition to the loss of ownership through foreclosure or voluntary transfer, there is a category of farmers who do not have an opportunity to lease back their land and so lose control as well as ownership. Still another category of farmers are on leasebacks from lenders but face the uncertainty of whether they will have continued access to the land once the lease expires.

The FDAC heard numerous proposals dealing with the tenure issue. One proposal would require lenders to lease land back to farmers for a period of time after voluntary transfer of ownership or foreclosure. A right of first refusal on leasing after the lender acquires the land from the farmer was also presented. Suggestions as to the length of the lease periods varied considerably. Changes to farm ownership rules were suggested in order to accommodate or encourage lender leaseback programs.

Some people felt that an equity building lease had merit in terms of putting more farmers in a position to repurchase all or a portion of their land at the end of the lease. Others pointed to the difficulty that farmers on the FCC equity building lease program have in contributing to an equity building fund in today's agricultural economy. Some matching assistance or incentives by government could help. A lease-to-own program where a portion of lease payments are put towards the purchase of the land is another concept examined by the Committee.

Where a lender offers farm land for sale, the farmer who previously owned the land but lost it to the creditor, has a right of first refusal on sale of the land. There is some

concern that the lender often offers land in parcels of several quarters. The former owner then has to match the bid for the entire block and is frequently not able to raise financing. There is no opportunity in these cases for the former owner to retain even a quarter section of a farm which has perhaps been in the family for several generations. There were suggestions that the former owner should have some ability to bid on a portion of the land that is offered to the market. Alternatively, the holder of the right of first refusal could have some ability to determine size of land parcels offered for sale.

Further questions regarding right of first refusal on sale included whether a family member should have the power to exercise the right. Concerns were also expressed about the process for determining whether or not a bona fide offer had been received by the lender from a third party to purchase the land. The former owners need assurance that the third party offers which they must match are legitimate offers to purchase.

RECOMMENDATIONS

The FDAC heard a wide range of viewpoints and proposals with respect to the farm debt problem. However, a number of themes and priorities emerged from the consultation process undertaken by the Committee. These are worthy of note as they form much of the rationale for the FDAC's recommendations.

- 1) It was commonly felt that a high priority should be to remove rather than defer repayment of the excess debt in the farm economy. Deferral of debt problems was not seen as an answer, as the industry has already experienced several years of debt crisis and the return to better economic times necessary for a successful "problem deferral" strategy has not occurred. Elimination of debt is seen as the appropriate strategy in today's economic climate.
- 2) There was a strongly held view that in the process of removing unserviceable debt, there should be a means of allowing farmers an opportunity to remain in the farming business. Farmers who have managed to survive several years of income and debt crisis through to 1992 cannot be viewed as poor managers or inefficient farmers. Rather, farmers who now find themselves on the verge of foreclosure or bankruptcy are seen as victims of marketplace events outside of their sphere of influence and control. Hence, ways of purging farm operations of excess debt, while keeping as many of these productive farmers as possible in business is seen as good not only for the farm industry, but for rural communities and Saskatchewan.
- 3) The mechanisms chosen to deal with immediate debt problems should be consistent with long run objectives. A profitable agriculture industry, open and accessible to the entrepreneurship of individuals and farm families was seen as the priority long run objective.

- 4) The farm debt problem was seen as a joint responsibility. The lender and the borrower clearly carry responsibility to contribute to a solution. However, there is awareness that broader economic and social goals can be served through an appropriate resolution of farm debt. A distinction between private interests of lenders and borrowers and public interests, be they economic or social, was identified during FDAC discussions. The FDAC adopted the principle that the public should be expected to pay in part for initiatives which serve public objectives.
- 5) The process of debt resolution needs to be predictable and straight-forward with a clearly defined set of rules. More attention needs to be paid to the human needs of farmers and farm families who become involved in the debt resolution process. The best strategy to deal with the farmers' debt problems is on a one-to-one basis. Broad brush approaches were not seen as appropriate, given the varied situations of individual farmers. An effective debt resolution process that provides farm borrowers with the tools to effectively negotiate with lending institutions was viewed as central to a case-by-case strategy of dealing with farm debt problems.

Based on the above priorities, the FDAC recommends action in the areas of security of tenure, the debt resolution process, the availability of credit to farmers, homestead security legislation, entry and re-entry into agriculture, farmers with potential debt problems, and farmers exiting the industry.

SECURITY OF TENURE

1) Six Year Leasebacks

Financial pressures have forced many Saskatchewan farmers to transfer ownership of their land to their creditors. More farmers are expected to make this transfer of title in the future. In many cases, the only practical way to make a farm potentially viable, is to transfer title of the land to the lender in settlement of the debt. However, there are two

problems associated with this practice. First, a farmer cannot always retain control of the land through a leaseback and second, if there is a leaseback, tenure is often short - often only two years. For many farmers, this is not a sufficient length of time to rebuild adequate equity in order to repurchase the land. Hence, many highly productive farmers can potentially be lost from the industry. The Committee focused upon developing a mechanism to allow these producers increased security of tenure with some potential to repurchase their land at a future date.

Recommendation:

The FDAC recommends legislation provide farmers with security of tenure for a period of at least six years starting at the service of notice of intent or when a settlement agreement is signed, whichever comes first. The lender would be required to offer the land for lease during the six years and the farmer would have a right of first refusal on the lease. If the farmer chooses not to exercise this right, the land could be sold, subject to the original owner's right of first refusal on the sale of the land. This legislation should be temporary in nature, recognizing that the financial circumstances faced by farmers are unusual and are not expected to persist in the long term.

This right of first refusal would extend to the farmer's immediate family members (father, mother, sons, daughters, brothers, sisters), but would not be assignable beyond that. A farmer could waive the right of first refusal where he or she is exiting farming or for other valid reasons.

It is recognized that part of the cost of providing the farmer with security of tenure for the first two years is a business cost which is presently being borne by the lenders. It is felt that the cost of providing the security of tenure beyond the first two years should be considered a social cost and, as such part of the cost should be covered by government.

The FDAC recommends that government assist farmers on lender leasebacks by paying to the chartered banks and credit unions, on the farmer's behalf, the difference between the lender's cost of the lease arrangement and lease income.

This lease assistance to the farmer would be for a maximum of four years and would start only after the chartered banks or credit unions had borne the cost of supplying tenure for a minimum of two years.

Public lenders (FCC and ACS) would also be required to offer a minimum six years of tenure through the requirement to lease and right of first refusal on the lease for the former owner of the land. The provincial government should negotiate with the federal government to ensure FCC is funded to continue a six year lease program.

Farmers who have already leased back land for two or more years from a lender, will be eligible for four additional years of tenure assistance upon expiry of the current lease. In the case of Farm Credit Corporation, this provision would be subject to the condition that FCC would not be required to lease to a farmer longer than eight years in total.

At the time of debt settlement, the farmer and lender may negotiate an option for the farmer to repurchase the land during the six year period of leaseback. Repurchase may occur at any time during the six years subject to willingness of the lender and the lessee. It is recommended that the farmer be encouraged to contribute to an equity building fund during the four year period while the government is providing tenure assistance. This will enhance the farmer's ability to repurchase the land at the end of the lease period.

Although the FDAC recommends relatively "automatic" access to the lease program, the Committee also embraces the concept of:

- i) capping based upon the amount of land that any one individual may qualify for under the tenure assistance program;
- ii) targeting so that public funds apply to those in need and so can best benefit from the assistance; and
- iii) prevention of abuse.

In contested foreclosure situations a creditor may apply to the court for a ruling to have the requirement to lease to the former owner not apply in cases where:

- a) the farmer has not dealt forthrightly with the lender and has thus jeopardized the lender's security; or
- b) there is abuse, neglect or abandonment of the farm land.

The six year leaseback program should be sunsetted. In relation to that, the FDAC acknowledges that lenders are not the most appropriate landholders/landlords, but out of the reality of their existing landholdings and those that they will acquire through future debt settlements they are "default" landlords in this leaseback program. FDAC recommends that the government pursue long term alternatives to replace financial institutions with "designed" landlord mechanisms as soon as possible.

It is left to the government to consider the above recommended criteria within the broad framework of the program.

Option: Agreement for Sale Arrangements

In place of the four year leasing period described above, lenders and lessees may wish to enter into an agreement for sale. In order that such arrangements are not discouraged by the support provided leases it is recommended that such arrangements be eligible for equivalent government financial support. However, payments made to the lender by the holder of the agreement for sale must not exceed one-third crop share or equivalent.

2) (Farm Ownership Provisions) Saskatchewan Farm Security Act

The existing provisions of Part VI of The Saskatchewan Farm Security Act regarding farm ownership require a lending institution that has received farm land through quit claim or foreclosure process to either sell that property within two years of receiving it or to seek an extension from the Farm Ownership Board to hold that property for a further

period. The FDAC received several comments that requiring a lending institution to seek such an extension was an unnecessary additional administrative cost where the lender was in a leaseback situation with the farmer who had been the original owner of that land. The tenure program which offers six year leases would require lenders to hold land for six years. Amendments to the farm ownership provisions of The Saskatchewan Farm Security Act are recommended to facilitate this tenure program.

Recommendation

That the farm ownership provisions in The Saskatchewan Farm Security Act be amended to provide that where lending institutions are leasing farm land back to the original farmer or his or her immediate family, the two year restriction on ownership shall not commence until such time as the lease to that farm family has expired.

THE DEBT RESOLUTION PROCESS

The FDAC believes that many elements of the current debt resolution process have value but the current system needs refinement to:

1. simplify the process without undermining basic protections in the legislation;
2. enhance and reinforce the role of mediation;
3. provide a strong farmer advocacy function by ensuring that farmers have access to a variety of legal, financial, and negotiating services;
4. encompass all farm debt to adequately assess economic viability;
5. avoid the duplication between the Farm Debt Review Board and the Farm Land Security Board;

6. ensure the process is as fair as possible to both farmers and lenders; and
7. pay more attention to the human side of the farm debt problem.

Recommendation

That the federal and provincial governments work together to integrate their roles in the debt resolution process so that they operate as follows:

- a) a farmer, a lender or a farmer and lender jointly may file a "request for financial review". This application would initiate a process of voluntary field investigation and mediation. This voluntary process could occur before a "notice of intent" was served indicating an intention on the part of the lender to seize personal property or commence foreclosure proceedings;
- b) upon a "request for financial review", a FDRB fieldperson would investigate the matter, do the financial review with full disclosure and would do necessary referrals to obtain counselling services as well as legal, management and financial advice. The fieldperson would clearly serve as a farmer's advocate and would assist the farmer in negotiations with the lenders;
- c) following the preparation of the fieldperson's report, mediation would commence. Mediation could be available for family difficulties as well as financial matters involving the farmer-lender relationship;
- d) the lender would have the option of serving a notice of intent to seize personal property or commence foreclosure proceedings if voluntary mediation became stalled;
- e) the mandatory mediation process following the service of a notice of intent would take up to 120 days but could be extended by the parties. If a settlement is reached, the Farm Debt Review Board would be obligated to follow-up the

agreement with the farmer and lender every 6 months for the next 2 years;

- f) if no settlement is reached, realization on security could proceed. In the case of personal property, seizure would occur according to existing law at the discretion of the lender. In the case of farm land, the next step in the foreclosure process would be to have a court report prepared by a Board. The Board would have broad and balanced representation. The Board would be given the latitude to give recommendations on whether or not it was just and equitable for the foreclosure to proceed. The viability and sincerity tests would not be retained but would remain a factor in considerations. The Board would have 45 days to prepare the report; and
- g) the courts would be given more discretion to review the report and other evidence in deciding if foreclosure should proceed. The court could order supervised mediation.

Recommendation

Certain interim steps should be considered provincially because amalgamation of the Farm Debt Review Board and the Farm Land Security process may take some time:

- a) Voluntary mediation prior to "notice of intent" should be provided by the provincial government through Mediation Services;
- b) Field staff should be given additional training in referral of farm stress cases to appropriate counselling services; and
- c) The Saskatchewan Farm Security Act should be amended to provide for broad and balanced representation on the Board and to eliminate the "viability" and "sincerity" tests from Board reporting requests as they have become less meaningful. Such analysis if relevant should be made by the court. The Board should provide a comprehensive report of the farmer's

financial situation and comment on whether it is just and equitable for the foreclosure to proceed and the reasonableness of the lender and farmer involved during debt negotiations.

Farmer Bargaining Tools re: Debt Resolution

A concern has been raised about the inability of farmers who have been through the debt resolution process to re-establish credit with lending institutions and, in particular, with the original lending institution. Lenders have expressed a reluctance to re-enter a credit relationship with the farmer who had previously encountered difficulties with them in servicing his or her debt. One specific concern revolves around the length of the debt resolution process should that farmer once again fail to maintain his or her payments. It has been recommended to the committee that a "fast track" foreclosure process be established whereby a farmer who has been through the debt review process previously is not entitled to the full range of procedural protection should his or her operation fail a second time.

The FDAC is reluctant to establish a universal "fast track" foreclosure process for farmers who have previously been through the debt resolution process. However, there may be some scope for providing an opportunity for farmers who have been through the process to re-enter a borrowing relationship with that same lender by waiving certain protections. The ability of the farmer to selectively waive certain protections may, in some cases, be an effective negotiation tool farmers can use to obtain favourable debt settlement agreements with lenders.

Recommendation

That the Government examine whether or not there is scope for allowing the farmer to waive certain foreclosure protections as part of the process of achieving a favourable debt settlement and refinancing arrangement with the lending institution with whom the farmer is dealing. However, the committee also recommends that the farmer's right to a fair and just process should not be jeopardized; nor should the farmer be placed in a

position where he or she can be coerced into the waiving of rights without achieving a settlement of debt and a refinancing package which produces a reasonable probability of financial success.

Taxation Policies re: Debt Resolution

Where a farmer gives up title to property in settlement of a debt or where a settlement payment is less than the principal amount owing, tax implications may arise for farmers.

Recommendation:

The provincial government should review the income tax implications arising from debt settlement and determine fairness of the current regulations.

The treatment of farmers and farming corporations should be reviewed for inequities.

Following the review, the province should present recommendations on taxation policy to the federal government.

Farmers are often unaware of the tax implications related to debt resolution and efforts should be made to inform them on these implications during the debt settlement process.

AVAILABILITY OF CREDIT

Throughout the course of their deliberations, the FDAC became aware of a number of issues respecting availability of credit both for operating funds and for refinancing.

Regarding operating funds, the FDAC noted that there are currently certain legislative shortcomings that have the effect of limiting availability of operating funds to farmers.

The FDAC is of the general view that farmers should not have their flexibility to borrow operating funds reduced as a result of legislation which makes it difficult for them to adequately pledge security. This is particularly important for farmers experiencing some

cash flow or debt problems where the inability to pledge security could make the difference between getting a loan and not getting a loan. Related to this, the FDAC considered an input production security interest under The Personal Property Security Act and a specific waiver of exemptions under The Saskatchewan Farm Security Act to improve access to operating credit.

1) Personal Property Security Act - Input Production Security Interest

Section 34(6) of The Personal Property Security Act provides for an "input production security interest" whereby a lender may take a security interest in the growing crops of a farmer for that year in exchange for production funds. This security interest was designed as a method to encourage lenders operating under the provincial lending rules to provide operating capital. The FDAC has been advised by lenders that the existing program is unnecessarily complex and difficult to lend under insofar as it restricts such lending to a three month period prior to the planting of the crop. Furthermore, this security is limited solely to grain producers with no provision to recognize the need for an input production security interest for livestock producers.

In response to similar concerns, the Law Reform Commission of Saskatchewan has recently recommended in its Tentative Proposals For a New Personal Property Security Act that lending under this provision be simplified and that a new provision be added to extend the input security interest to livestock producers.

Recommendation:

The improved input security interest as proposed by the Law Reform Commission be implemented as soon as possible.

It is recommended that The Saskatchewan Farm Security Act be amended to exclude the operation of the exemption provisions of the Act with respect to an input security interest in the same manner that a purchase money security interest is currently excluded.

2) Specific Waiver of Exemptions

The Saskatchewan Farm Security Act currently exempts certain farm assets from seizure except where the assets are pledged as security for a loan to purchase those same assets. The FDAC received recommendations to allow farmers the ability to waive these exemptions in exchange for increased credit. As business people, farmers should be provided the option to waive certain protections as a calculated risk necessary for increased credit from their lending institutions. While exemptions are an important protection, it was felt that the government should not prevent a farmer from making a decision to pledge security provided that the risks are understood.

Recommendation:

That Section 68 of The Saskatchewan Farm Security Act be amended to allow a farmer to pledge free from exemption any specific assets for the purpose of securing a specific debt including operating lines of credit. Such an agreement would be subject to a certificate of independent legal advice ensuring that the farmer is fully aware of the exemption protections which he or she is choosing to waive.

By limiting the waiver of exemptions to specific items on specific debts, FDAC feels that a farmer can make informed choices as to what security is being pledged for a particular debt. This approach should avoid the problems associated with cross-securing certain debts or with a blanket waiver of all exemptions. The availability of credit is crucial to the continued viable operation of Saskatchewan farms. Provision should be made for the revolving nature of operating credit by providing for a yearly renewal.

Counselling and Assistance for Farmers (CAFF) Program

The FDAC recognizes the importance of the availability of operating credit. At the same time that certain legislative provisions have limited farmers' access to operating funds, guarantees have been available from the Province's Counselling and Assistance for Farmers Program. These guarantees are to assist a farmer in obtaining an operating

loan from his or her normal lender when that lender is not otherwise willing to extend the loan.

It is the view of the FDAC that where a farmer cannot obtain an operating loan, even with the ability to freely pledge loan security, there may be an underlying debt problem that needs to be addressed. Ensuring through a guarantee that operating funds are available does not address the underlying problem. The problem may in fact be compounded by adding on more debt.

The CAFF operating loan guarantees do not put farmers in a better position to meet debt obligations. In many cases, it is likely that the CAFF guarantees delay a resolution of the real problem at the expense of the farmer and taxpayers. The CAFF guarantees appear to be a mechanism for buying time in the hopes of a better farm economy in the future and may actually work contrary to an expedient resolution of a farmer's debt problem.

As farmers and lenders become more familiar with the Gross Revenue Insurance Plan (GRIP), it is expected to alleviate to some degree problems in obtaining operating credit. Lenders know ahead of the growing season the minimum level of gross revenue that an individual farm will receive. This along with the farmer's ability to assign GRIP proceeds provides additional comfort that the farmer will be able to repay operating loans. This contributes to the provision of operating loans and suggests a reduced need for a CAFF operating loan guarantee program.

Recommendation:

The FDAC recommends that the CAFF operating loan guarantees be discontinued.

Farm Improvement and Marketing Cooperatives Loan Program

This federal program currently provides guarantees on private lender loans for specified farm purposes. One such purpose is for the consolidation of debt. However, a consolidation loan is not eligible for a guarantee if a lending institution is consolidating the debt of one of its own borrowers. The consolidation loan is eligible for a guarantee only if the debt being consolidated is for a borrower from a different lending institution. The committee suggests that the federal loan guarantees are, in some cases, an effective tool to ensure that refinancing capital is available for farmers who can benefit from a refinancing or debt consolidation arrangement. Refinancing or debt consolidation could result in reduced debt payments and an improved cash flow position. Unlike operating loan guarantees, these guarantees do more than simply assure access to more credit.

Recommendation:

That the federal farm improvement loans be available for consolidation loans made by private lenders for their current borrowers.

HOMESTEAD SECURITY LEGISLATION

1) Date Specific Homesteads

The homestead protection contained in Part III of The Saskatchewan Farm Security Act prevents the final registration of a final order of foreclosure on a homestead for as long as the property remains a homestead. This homestead protection is a significant consideration for any lenders seeking to provide a mortgage to a farmer for farm land. The FDAC has been advised that the existing provisions of Part III of The Saskatchewan Farm Security Act allow a farmer to grant a mortgage on bare land, and subsequently, to convert that bare land into a homestead by establishing a farm residence on that property. Such a move would unfairly reduce the security position of the lender as the mortgage had been granted on bare land. This legislative feature can serve to contribute

to a negative lending environment in which farmer access to credit is lessened.

Recommendation:

That The Saskatchewan Farm Security Act be amended to provide that the determination of whether mortgaged land is a homestead occur at the date on which the mortgage is granted.

2) Construction and Purchase Money Mortgages on Homesteads

Section 44(12) of The Saskatchewan Farm Security Act provides that the Farm Land Security Board may make orders excluding any mortgage or class of mortgages from the homestead protections where, in the opinion of the Board, it is in the best interests of the farmer to do so. The FDAC is advised by the Farm Land Security Board that currently as much as 50 percent of it's work load with respect to home quarters flow from waiver requests on purchase money and construction mortgages. In the Boards opinion, these waivers are in the best interests of farmers.

Requiring an individual waiver from the Board in these situations is an unnecessary and expensive additional burden for farmers, lenders and the Farm Land Security Board alike. Homestead security is recognized as essential to achieving the aims of a farmer who is seeking purchase money or construction mortgage with respect to a home quarter.

Recommendation

That the Government amend Section 44 of The Saskatchewan Farm Security Act to exclude the following classes of mortgages from the operation of the homestead protection provisions:

1. Purchase money mortgages for purchase of the home quarter;
2. Construction mortgages.

ENTRY AND RE-ENTRY INTO FARMING

Agriculture is a difficult industry for beginning farmers to gain entry, given its capital intensive nature, the inherent market risks and the heavy reliance upon debt as the outside source of financing. By the same token, farmers on leasebacks from lenders face these barriers as well as a credit barrier as a result of their record of financial difficulty. A means of building equity prior to establishing an ownership position is one way of coping with these barriers to entry into farming.

Establishing ownership of the home quarter is a priority for most farmers. The committee recommends that beginning farmers and farmers who have lost ownership of all of their farmland, be provided with assistance to help purchase or repurchase their home quarter. This assistance to facilitate entry or re-entry into agriculture could be provided by the establishment of a Registered Farm Ownership Savings Plan (RFOSP).

Recommendation:

The Committee supports the development of a tax deductible savings plan which would be used within the next ten years for the purchase of farm land. To be eligible to contribute to a RFOSP, the individual must presently own no farmland. It is suggested that the maximum contribution be \$5,000/year and that the RFOSP be capped at \$50,000.

FARMERS WITH POTENTIAL DEBT PROBLEMS

The committee recognizes that there are farmers considered to be on the "slippery slope". These farmers primarily face an income problem and hence income safety nets should be the priority mechanism to resolve their problem. Farmers on the "slippery slope" carry a level of debt which they have been able to service to date, however due to the drop in past and present incomes, the servicing of this debt is becoming increasingly difficult. Some financing and debt mechanisms could be examined to help alleviate the

problems of this group of farmers.

Recommendation:

That ACS, CAFF and FCC be provided with a greater degree of flexibility in establishing the repayment terms of existing government debt. ACS, FCC and private lenders should deal with these farmers on an individual basis and consider restructuring, set-aside and interest concession programs which would provide temporary cash flow relief for this group of farmers.

Further examination into the feasibility and formation of Community Based Land Trusts or a loan guarantee program similar to the Feeder Associations Loan Guarantee Program, should be considered for farm land. The formation of land trust systems could assist farmers on the "slippery slope" by allowing them to reduce their debt load while maintaining access to their present asset base; it might also serve as an alternative to lenders directly leasing land back to former owners.

FARMERS EXITING THE INDUSTRY

There should be recognition that for some farmers exiting the industry is a realistic option. Existing programs should be more flexible.

Currently, FCC and some other lenders, make special concessions with respect to the home and building site. This practice is heavily biased to keeping farmers who might exit living on their original farm's yardsite and does not encourage them to re-establishing a home closer to urban centres where there may be more job opportunities. Lump sum transfer payments equivalent in magnitude to concessions with respect to the home and building site should be considered.

The Canadian Rural Transition Program has not been widely used by Saskatchewan farmers. The program should be enhanced in order to make it more relevant to

Saskatchewan conditions.

Recommendation:

The federal government should review the CRTP and Agriculture Canada's Farm Debt Review Fund to provide more realistic assistance for exiting farmers. Specifically:

- 1) allow assistance for housing relocation beyond the current family dwelling on the farm;
- 2) provide job training while the farmer is still on the farm;
- 3) extend job training beyond the current one year training;
- 4) promote local hiring support program for individuals in transition; and
- 5) allow older farmers a pension fund in place of assistance for retraining.

DELIVERY VEHICLES FOR FARM FINANCE PROGRAMS

The FDAC examined the issue of whether delivery of government programs should be through direct public lending or through private lenders. It is recognized that at times it may be more efficient and effective to utilize the services of private lenders. There are also instances where a direct lending program may be more appropriate. The decision to deliver programs through private lenders versus direct public lending should be based upon which approach accomplishes the program purpose most effectively and at least cost.

The duplication of public and private lending activities was also examined. It is the Committee's view that duplication of the direct lending services of the private lending institutions should be avoided. The Committee recommends that public lenders concentrate upon niche markets and specialized financial products or services not available from the private lending institutions. Public lending agencies, both provincial and federal, should have roles which are clearly distinct from the role of private sector lending institutions. The Committee recommends that federal and provincial

governments review the roles of their farm lending agencies to ensure that they continue to provide needed financial services to the farm community.

APPENDIX A

List of Agricultural Stakeholders Who Presented Briefs and Met with the Committee

National Farmers Union
Farm Credit Corporation
Saskatchewan Wheat Pool
Royal Bank of Canada
Credit Union Central
Christian Farm Crisis Action Committee
Pearl Holding Corporation
Farm Debt Review Board
Agricultural Credit Corporation of Saskatchewan
Western Canadian Wheat Growers Association
Bank of Nova Scotia
Saskatchewan Women's Agricultural Network
Saskatchewan Institute of Agrologists
Saskatchewan Cattle Feeders Association
Saskatchewan Indian Agriculture Program
Crown Lands Tenants Association
SPI Marketing Group
Farm Ownership Board
Bank of Montreal
Family Farm Foundation of Canada
Saskatchewan Milk Producers
Canadian Imperial Bank of Commerce
Farm Land Security Board
Inter-church Committee for Agriculture and Rural Life
Saskatchewan Association of Rural Municipalities
Toronto-Dominion Bank
Western Cow-Calf Association
Counselling and Assistance for Farmers
Rural Municipality of Grayson

APPENDIX A (continued)

List of Organizations Who Submitted Written Briefs But Did Not Meet With Committee

United Grain Growers
Western Canadian Barley Growers
Dairy Producers Cooperative Ltd.
Saskatchewan Stock Growers Association
Mennonite Central Committee
Anderson, Nimegeers (Law Firm)
Balfour Moss (Law Firm)
Brent & Greenhorn (Law Firm)
MacDonald & Company (Law Firm)
Ernfold Wheat Pool Committee
Saskatchewan Federation of Production Cooperatives
Rural Municipality of Willowdale Ag Committee
Glen Bain Farm Image Committee
Rural Life Sub Committee
Rural Municipality of Redberry
Canadian Farm Equity Fund
Hawarden Farm Group
Office of the Farmers' Advocate
Rural Municipality of Antler #61
Rural Municipality of Aberdeen #373
Concerned Farmers of Alberta
Concerned Farmers of Saskatchewan
Saskatchewan Vegetable Marketing and Development Board
ADD District #40 Board
Farm Crisis Network

APPENDIX B

List of Individual Who Submitted Proposals to the FDAC

Mr. and Mrs. Charles
Bozer
LUSELAND

Mr. Carl Kristjanson
LESLIE

Ms. Emily Lundeen
HUDSON BAY

Mr. and Mrs. Darcy
Schenher
OGEMA

Mr. Donald L. Girling
OGEMA

Mr. Frank J. Baker
DENZIL

Ms. Sally Schmidt
NORTH
BATTLEFORD

Mr. Kenneth Sunderland
QUILL LAKE

Mr. Ron Schultz
LANGENBURG

Mr. Ken Serviss
MELFORT

Mr. Charles Reimer
SWIFT CURRENT

Mr. Jim McCan
MCCORD

Mr. Greg Wells
FLAXCOMBE

Mr. Wayne Katerynych
NORTH
BATTLEFORD

Mr. Robert Hall
INVERMAY

Ms. Sharon Stang
MAJOR

Mr. Daniel Miller
WILKIE

Mr. Harold B. Krause
ROSTHERN

Ms. Ferne Nielsen
TURTLEFORD

Mr. Dennis McGuire
KIPLING

Mr. Blaine Solomon
MOOSOMIN

Mr. Arnold Klaassen
LAIRD

Mr. Jerry Seifert
LIEBENTHAL

Mr. Wayne Scott
SWIFT CURRENT

Mr. Leonard Funk
GLASLYN

Mr. George Kulyk
WADENA

Mr. Lorne Miller
BIRCH HILLS

Mr. Corn Klippenstine
REGINA

Mr. Ron Alton
CARROT RIVER

Mr. and Mrs. Marvin
Schepp
LANGENBURG

Mr. and Mrs. Stanley
Hunt
BIRCH HILLS

Mr. George Zimmer
CODETTE

Mr. Darwyne Rewerts
CUT KNIFE

Mr. Fred Clemence
RUTHILDA

Mr. Duane Schlosser
CUDWORTH

Mr. L. Duane Olson
STEWART VALLEY

Mr. Kaia Setrum
CORONACH

Mr. Max Herman
MIDDLE LAKE

Mr. George Wm. Hoft HUDSON BAY	Mr. Orlin D. Johansen BIRCH HILLS	Mr. Joseph Kohlman TRAMPING LAKE
Mr. Gordon Aitken EYEBROW	Mr. Frank Creech LLOYDMINSTER	Mr. W.J. Cairns HARRIS
Ms. Jean LeBlance DOMREMY	Mr. Robert Strnad MOOSOMIN	Mr. Nick Chrusch VONDA
Mr. Les F. Kurtenback CUDWORTH	Mr. Ed Karpinski YORKTON	Mr. Ryan Carlson STEWART VALLEY
Mr. James N. Joyce OXBOW	Mr. Gord Wenzel LUSELAND	Mr. Orest Kusak RAMA
Mr. Robert J. Moss WOLSELEY	Mr. Ross David OGEMA	Mr. Arnold Schmidt MAPLE CREEK
Mr. James A. Szucs KIPLING	Mr. Ernest Briggs WHITEWOOD	Mr. Earl Mickelson HAGEN
Mr. Bill Winson ASSINIBOLA	Mr. Reginald E. Sjodin WHITEWOOD	Mr. Doug White UNITY
Mr. Robert E. Reed NETHERHILL	Mr. Sylvain Dumonceaux LANGBANK	Mr. Leslie J. Lynch OSAGE
Mr. Marcel Godenir ANEROID	Mr. Edward Twarowski WEYBURN	Mr. Archie Ashbacher HOOSIER
Mr. Zenon Baines GOODEVE	Mr. Jud Wunsch HANLEY	Mr. Darwin Johnsgaard STEWART VALLEY
Mr. Hugh Nutlow FISKE	Mr. Dean Haack MEYRONNE	Mr. Victor Rempel SWIFT CURRENT
Mr. Maurice Bayliss LUCKY LAKE	Mr. J.W. Middelkoop PUNNICHY	Mr. A. N. Sinclair LIMERICK
Mr. Brian Day Day Grown Greenhouses SASKATOON	Mr. Lawrence Leipert LEADER	Mr. Murray Duke LANGBANK
	Mr. Howard Franklin MANTARIO	Mr. J. R. Jowsey SALTCOATS

Mr. Walter Dick GUERNSEY	Mr. John Hamon GRAVELBOURG	Ms. Brenda Finch PERIGORD
Mr. G. Wilkes Parsonage MAPLE CREEK	Mr. Keith Madsen LEASK	Ms. Vikki Lozinski PELLY
Ms. Darlene Minogue ESTON	Mr. J. Esmond EYEBROW	Mr. Wayne Malmguen MELFORT
Mr. Paul Flaman DUBUC	Mr. Al Harder HERBERT	Mr. Sidney G. Jones PAYNTON
Mr. Norbert Nielrugge BRUNO	Mr. Murray Krofchek MELVILLE	Mr. Lorne Rygh KIPLING
Mr. Richard Colbow ASSINIBOIA	Mr. Alf O. Hesjedal BENGOUGH	Mr. Ralph R. Karst ROCKGLEN
Mr. Ben Lewans SHAUNAVON	Mr. John Ivens SPRING VALLEY	Mr. Harvey C. Leibel PILOT BUTTE
Mr. David McCutcheon CEYLON	Mr. Ray Deery GLASLYN	Mr. Ron Needham OXBOW
Mr. Blair Knudsen GLASNEVIN	Mr. A. C. Roth CHRISTOPHER LAKE	Mr. H. R. Wallis ADMIRAL
Mr. James A. Bate SHAUNAVON	Mr. Grant Mickelson HAGEN	Ms. Linda Sullivan MOSSBANK
Mr. Garry Lindemann BALGONIE	Mr. and Mrs. Ed Brockman MIDDLE LAKE	Mr. Mr. Rudolph Brunyanski MIDDLE LAKE
Mr. Keith Warren OGEMA	Mr. Donald Bristol BIRCH HILLS	Mr. Dennis Rask BIRCH HILLS
Ms. Val Lorenz WILKIE	Mr. Gaston Cloutier PONTEIX	Mr. Ervine Johnston LANGBANK
Mr. Laverne Isaac MEDSTEAD	Mr. Neil Gillespie MANKOTA	Mr. Dennis Zackarias MCMAHON
Mr. David Bober HUDSON BAY		Mr. Alex Onda ATWATER

Mr. Lawrence Pommier SHAUNAVON	Mr. Rea Eagles Sr. MACOUN	Mr. and Mrs. Bruce Clavelle PLUNKETT
Mr. R. M. Warner MELFORT	Mr. Kevin Eagles MACOUN	Mr. Andy Lasota CHAPLIN
Mr. and Mrs. Ed Jaeger MORTLACH	Ms. Betsy Redstone IMPERIAL	Mr. Keith Ernwein MEADOW LAKE
Mr. and Mrs. Delmar Dosch WILLOW BUNCH	Ms. Michelle Williams GLENAVON	Mr. Lorne Schmidt MELVILLE
Mr. Kenneth R. Allan DUBUC	Ms. Amy Pavelich DAVIDSON	Mr. Ken Duke LANGBANK
Mr. Calvin Bader VANGUARD	Mr. Marcel Chabot MANKOTA	Mr. Roland Beaulieu VONDA
Mr. Lorne Fellner CEYLON	Mr. Laurent Paradis VAL MARIE	Mr. Don Bristol BIRCH HILLS
Ms. Roberta Dearborn LEADER	Mr. Dwayne Kovack KIPLING	Mr. Don Roth WEBB
Mr. Dale R. Cannon RUSH LAKE	Mr. Elroy Enns EYEBROW	Mr. Carey Fitterer MAPLE CREEK
Mr. Ken Duke LANGBANK	Mr. Lyle Knutson ELBOW	Mr. Dale Alliban CALGARY
Mr. George Watson SCEPTRE	Mr. and Mrs. Garth Ferguson STEWART VALLEY	Mr. Bill Mescall ROSETOWN
Mr. Garth Sproule LAFLECHE	Mr. Bryan G. Oster GOLDEN PRAIRIE	Mr. Fred Becker ROCANVILLE
Mr. Calvin J. Mayell ASSINIBOLA	Mr. Terry Belsher ROCKGLEN	Mr. Trevor Olavson VANSCOY
Mr. Larry Jeffery BRIERCREST	Mr. Robert Thompson ALTICANE	Mr. Terry Baker DENZIL
Mr. Bryan Fonstad TORQUAY	Mr. Don Wright FOAM LAKE	

Mr. Dale Flavel, M.L.A.
Last Mountain-
Touchwood

Mr. Don S. Douglas
WEYBURN

Mr. and Mrs. Len
Piwarski
WEYBURN

Mr. Peter Schmidt
LIEBENTHAL

Mr. Stanley Christianson
NAICAM

Mr. Alan Tucker
NORTH
BATTLEFORD

Messrs. Alfred and
Vaughn Johnson
KENDAL

Mr. Dave Iluk
GLENAVON

Mr. J. Dave Hughes
CHAPLIN

Mr. and Mrs. Clarence
Funk
GLASLYN

Mr. Neil Perkins
STAR CITY

Mr. Raymond Schuler
PUNNICHY

Ms. Arlynn Kurtz
EDENWOLD

Mr. Hugh Mutlow
FISKE

Mr. Rob Macleod
STRANRAER

Mr. Lane Cross
KIPLING

Mr. Mike Stoian
MAZENOD

Mr. Morris Tokaryk
RICHARD

Mr. S. Arthur Jones
PAYNTON

Mr. David Marchenko
NORTH
BATTLEFORD

Mr. Donald Ross
WEBB

Mr. Robert G.
Verbeurgt
CEYLON

Mr. C. Glen McMillan
KIPLING

Mr. Jerry W. Gustafson
MACOUN

Mrs. Mary E. Funk
DINSMORE

Mr. Dale M. Wilms
SWIFT CURRENT

Mr. and Mrs. Arnold R.
Wruck
ABERDEEN

Mr. and Mr. Dale R.
Wruck
ABERDEEN

Mrs. J. Tessier
WEYBURN

Mr. Garry Toovey
PORCUPINE PLAIN

Mr. Andrew Molnar
BJORKDALE

Mr. George Pauliuk
MCLEAN

Mr. and Mrs. Gerald
Printz
GRAVELBOURG

Mr. Roy Lucas
LEROSS

Mr. Lorne Pincemin
KINDERSLEY

Mr. and Mrs. Slavia
Hewko
CACTUS LAKE

Mr. H. V. Halpenny
NORTH
BATTLEFORD

Mr. William Houdek
HUDSON BAY

Mr. Vic Kruger
SASKATOON

Senator Herbert O.
Sparrow
OTTAWA

Mr. James Wacholtz
ENGLEFELD

Mr. Ray Lebo
PREECEVILLE

Mr. Ken Weiss
MAPLE CREEK

Mr. Neil Dunham
ADMIRAL

Mr. H. F. Wittig

Mr. Dwayne Kovach
KIPLING

Mr. George Schott
BEECHY

Mr. Jack Goohsen,
M.L.A.
MAPLE CREEK

Mr. Delon Bleakney
TURTLEFORD

Mr. Norman Lee
PANGMAN

Mr. Eugene Wells
FLAXCOMBE

Mr. Larry Toner
KELFIELD

Mr. Larry Severin
LANGENBURG

Mr. and Mrs. Frank
Fazakas
QUINTON

Mr. Garry N. Fisher
WATROUS

Mrs. Margaret Hughes
ARCHERWILL

Ms. Irene Adams
LANGENBURG

Mr. Bill Ewert
DRAKE

Mr. Bryan Bennett
CLIMAX

Mr. Dennis Robertson
GAINSBOROUGH

Mr. E. Daniel
ST LOUIS

Mr. Marc Baltzan

Mr. Raymond Carrick
EYEBROW

Mr. Clark Fox
ARCHERWILL

Mr. Hugh F. Schnell
TORQUAY

Mr. Merlin C. Finnie
KAMSACK

Mr. Bob Gudnason
WYNYARD

Mr. Richard J. Bowes
STOUGHTON

Stewart Valley Farm
Group
STEWART VALLEY

Mr. Sherman A.
MacArthur
KERROBERT

Mr. and Mrs. Jim Kelly
INDIAN HEAD

Mr. Ken Clarke
EATONIA

Mr. Ron Gleim
CHAPLIN

Mr. Harvey Braun
SWIFT CURRENT

McGrath Brothers
LEROY

Mr. and Mrs. Roy Beck
LANG

Mr. Raymond Gauley
OGEMA

Mr. and Mrs. Ken
Botterill
MOOSOMIN

W. H. Goodsman
STALWART

Mr. Bruce Goodsman
STALWART

Mr. and Mrs. Gerald
Chevrier
GRAVELBOURG

Mr. Jake Heinrichs
SHAMROCK

Mr. John Donaldson
BROADVIEW

Mr. Gordon Gusikoski
VISCOUNT

Mr. Larrence Pheil
HUMBOLDT

Mr. Richard Bothner
BEECHY

Mr. Rodney Swystun
KRYDOR

Mr. Ken Bollman
SWIFT CURRENT

Mr. Gaston Hamoline
DOMREMY